

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4992
ANSWERED ON:25.08.2000
TAX BENEFIT
DR. KIRIT SOMAIYA

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government have received representations from MPs and Business Associations to give similar taxbenefit treatment to Indian Financial Institutions and mutual funds at par as with the Mauritius operated funds;
- (b) if so, the details in this regard;
- (c) the reaction of the Government thereto;
- (d) whether attention of the Government of Mauritius has been drawn to the misuse of provisions of Indo-Mauritius Double Taxation Treaty; and
- (e) if so, the reactions of the Government of Mauritius thereto and the steps taken to check the misuse of treaty by unscrupulous fund operators?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI V. DHANANJAYA KUMAR)

- (a) to (c) Yes, Sir. Benefits to Foreign Institutional Investors (FIIs) are on account of the Indo-Mauritius Double Taxation Avoidance Convention. Under the Income-tax Act, 1961, both FIIs and Indian Investors are taxed at 10% of the long term capital gains. Capital gains is also exempt in the hands of Mutual Funds and Unit Trust of India (UTI).
- (d) & (e) The benefits availed under the Treaty do not amount to misuse. As the two are Contracting States to the DTAC, there is exchange of views regarding the application and implementation of Treaty provisions.